

Consumer

Improved Sentiment But Earnings Lack Spark

Highlights

- Fuel subsidy retargeting and upcoming public sector wage hikes should ease cost-of-living pressures and lift disposable incomes. 2026 is designated as Visit Malaysia Year. However, the collective incremental impact to private consumption does not appear meaningful.
- Sector earnings growth of 8.3% yoy in 2026 lacks spark but is balanced by undemanding valuations. Maintain MARKET WEIGHT.
- Top picks for the sector: Eco-Shop, 99SM and F&N.

Analysis

- The upcoming Budget 2026**, set to be unveiled on 10 Oct 25, could potentially feature increased allocations for direct cash assistance to ease the cost of living and strengthen social support according to UOB Economics Research.
- Direct cash assistance.** Cash assistance programmes comprising Sumbangan Asas Rahmah (SARA) and Sumbangan Tunai Rahmah (STR), could see increased allocations. In 2025, SARA recipients (700,000) will receive up to RM2,100 annually (vs RM1,200 in 2024) while STR recipients (4.7m) received between RM150 and RM650 per payment depending on their household or individual income category, which collectively incur a government spending of RM13b. This is coupled with the one-off RM100 appreciation token for all Malaysians aged 18 and above, which brings the total direct cash aid to RM15b this year.
- Relieve from fuel subsidy retargeting.** Effective 30 Sep 25, the price of RON95 petrol has been reduced to RM1.99/litre (from RM2.05/litre). The new system replaces income-based eligibility with a quota-based approach, granting each Malaysian up to 300 litres per month at the subsidised price, while non-citizens pay the market rate of around RM2.60/litre. This measure is expected to generate annual savings of RM2.5b-4.0b (based on US\$75/barrel). With only 0.7% of Malaysian drivers exceeding the 300-litre threshold, savings will largely stem from excluding foreigners and non-eligible businesses, which currently consume about 22% of RON95. The broader access to fuel subsidies has effectively dispelled market concerns over the earlier subsidy rationalisation.

MARKET WEIGHT (Maintained)

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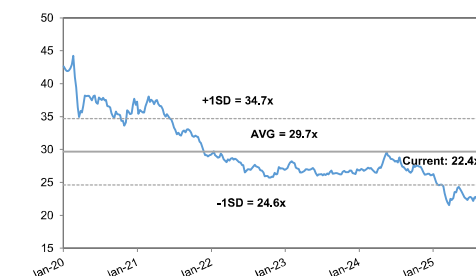
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2Q25 Results

Company	2Q25 (RMm)	yoy % chg	qoq % chg	Results
99SM	153.2	17.9%	7.0%	Within
EcoShop	55.9	-8.2%	-9.4%	Above
BAT	51.0	40.6%	118.9%	Above
Carlsberg	82.2	2.3%	-13.3%	Below
Farm Fresh	32.8	23.7%	15.7%	Within
F&N	84.8	-31.5%	-40.3%	Below
Heineken	83.6	-8.3%	-31.9%	Below
Mr. DIY	158.6	2.2%	-8.9%	Within
MyNews	6.4	515.4%	65.3%	Within
Nestle	112.1	19.8%	-30.5%	Above
Oriental Kopi	16.9	na	15.0%	Within
QL Resources	100.6	-11.4%	7.1%	Below

Source: Bloomberg, UOB Kay Hian

Sector Valuations



Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Tickers	Price 24 Sep 25 (RM)	Rec	Target Price (RM)	Market Cap (RMm)	P/E (x) FY25F	P/E (x) FY26F	P/BV (x) FY25F	Yield (%) FY25F	Yield (%) FY26F
99Speedmart	99SMART MK	2.73	BUY	3.05	22,932.0	39.0	34.1	10.7	0.5	1.6
British American Tobacco (M)	ROTH MK	5.13	BUY	5.70	1,459.1	9.0	9.4	3.7	11.5	9.9
Eco-Shop Marketing	ECOSHOP MK	1.46	BUY	1.65	8,160.7	35.5	29.4	7.0	0.7	1.6
Carlsberg (M)	CAB MK	16.60	BUY	23.3	5,063.2	14.2	13.3	15.8	6.0	7.3
Farm Fresh	FFB MK	2.17	SELL	1.30	4,055.4	31.5	28.8	4.6	0.0	0.4
F&N Holdings	FNH MK	27.40	BUY	36.30	10,101.1	19.0	18.1	2.5	2.3	2.7
Heineken (M)	HEIM MK	21.40	BUY	28.10	6,434.7	14.2	13.5	11.3	6.0	7.1
Mr. DIY	MRDIY MK	1.57	BUY	2.05	14,874.2	23.4	21.2	6.6	2.7	3.6
MyNews	MNHB MK	0.67	HOLD	0.70	495.2	23.9	17.8	1.8	0.8	2.3
Nestle	NESZ MK	96.60	HOLD	82.00	22,619.9	44.2	40.4	36.5	1.9	2.4
Oriental Kopi	KOPI MK	1.33	HOLD	1.20	2,580.0	38.5	30.2	15.5	0.0	1.0
QL Resources	QLG MK	4.30	HOLD	4.40	15,836.6	33.9	31.6	4.1	1.4	1.2
Average					9,551.0	27.2	24.0	10.0	2.8	3.4

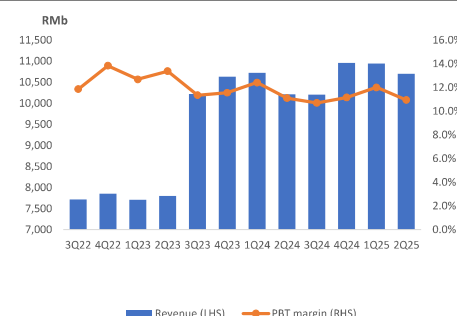
Source: Bloomberg, UOB Kay Hian

- **Increase in public sector wages and pensions for 2026.** Heading into 2026, public sector wages and pension payments would rise further due to a second salary hike for 1.7m civil servants and higher pension for about 900,000 pensioners, which were pre-announced in late-24. It is estimated to cost the government RM18b in 2026 (vs RM10b in 2025).
- **Retailers are at the forefront to benefit.** Easing overhang on consumer sentiment arising from certainty of the subsidy retargeting coupled with increased wages and cash disbursements heading into 2026 will inevitably improve the cost of living over the near term. Immediate beneficiaries under our coverage are the retailers, namely, 99Speedmart (99SM), EcoShop Marketing (Eco-Shop) and Mr. DIY.
- **Visit Malaysia 2026.** The country saw 25.0m international visitors in 2024 and is targeting 31.4m visitors in 2025. For 2026, being a Visit Malaysia year, the nationwide tourism campaign launched by the government is expected to boost international tourist arrivals. The government has targeted for international tourists to reach a height of 47.0m in 2026, representing a 50% increase against 2025's expected arrivals. It is also important to note that, most years immediately following Visit Malaysia Year (VMY) saw tourist numbers grow further. Only exceptions were in 1990 where arrivals saw a major 55% growth and 2014 where growth was moderate at 6.7%. The significant spike in tourist arrivals expected for 2026 will inevitably see a surge in spending. Key beneficiaries under our coverage are Oriental Kopi, MyNews, Heineken and Carlsberg (see overleaf for further comments).
- **2Q25 results were broadly in line with expectations.** Despite the drag from unfavourable festivity timing, sector revenue expanded 5.0% yoy, supported mainly by 99SM's robust performance and Nestlé's recovery. Sector profit before tax (PBT) margin held largely stable at 10.9% (-0.2ppt yoy), enabling sector PBT to record a modest 2.1% yoy growth. Notably, Eco-Shop, BAT and Nestlé outperformed expectations, while QL Resources, F&N, Heineken and Carlsberg fell short; the remaining companies were within expectations.

Valuation/Recommendation

- **Maintain MARKET WEIGHT: eased overhangs and emerging tailwinds but earnings lack spark.** The recent implementation of fuel subsidy retargeting has provided relief to consumers and removed an overhang for investors. Higher potential cash disbursements, public sector wage hikes, and the designation of 2026 as Visit Malaysia Year should lift consumer sentiment. However, the collective incremental disbursements only account for around 1% of private consumption. Ultimately, 2026 sector earnings growth of 8.3% yoy does not excite. It balances undemanding valuations at 22.4x one-year forward PER or close to -1.0 SD of its five-year mean. Maintain MARKET WEIGHT.
- **Top picks: Eco-Shop, 99SM and F&N.** Eco-Shop and 99SM are prime beneficiaries of the cash aid, subsidy relief and wage hikes, driving resilient mass-market demand. F&N adds defensive branded staples exposure with upside from Visit Malaysia 2026 tourism coupled by its venture into dairy farming.

Sector Revenue And PBT Margin Trend



Source: Respective companies

Key Beneficiaries Of Visit Malaysia 2026

Oriental Kopi	While almost entire of its outlets are based in shopping malls, which are thronged by tourists, Oriental Kopi has a high proportion of outlets at key tourist hotspots. Four outlets are at airports while three are at iconic shopping malls (Pavilion Kuala Lumpur, TRX and KLCC). These seven outlets account for around 20% of expected store count in FY26.
MyNews	With its extensive footprint in commercial hubs and high-street locations, MyNews is strategically positioned to capture incremental tourist spending. Its broad convenience store offerings — ranging from ready-to-eat meals and beverages to travel-friendly essentials — make it a natural beneficiary.
F&N	Roughly 40% of its operating income is derived from Malaysia. The flagship isotonic brand, 100Plus, is poised to capture incremental tourist-driven consumption in Malaysia's hot climate, while its dairy portfolio — particularly condensed and evaporated milk — should benefit from sustained demand across hawker channels and the broader foodservice trade.
Breweries	We anticipate the breweries benefitting from the increased footfall in tourist hubs leading up to VMY2026. On-trade volumes in particular are expected to improve, especially given the continued softness following the pandemic. While the shift in consumer preference to off-trade will likely persist in the medium term, the outlook for the immediate future appears brighter given F&B spending jumped 23-28% yoy in the previous two VMYs

Source: UOB Kay Hian

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